

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: <u>Bridgman Public Library</u>	County <u>Berrien</u>
Audit Date June 30, 2005	Opinion Date January 27, 2006	Date Accountant Report Submitted To State: February 15, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 511 Renaissance Drive, Suite 120	City St. Joseph	State MI	ZIP 49085
Accountant Signature <i>Plante & Moran, PLLC</i>			

Bridgman Public Library

**Financial Report
with Supplemental Information
June 30, 2005**

Bridgman Public Library

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Independent Auditor's Report

To the Bridgman Public Library Board
Bridgman, Michigan

We have audited the accompanying basic financial statements of Bridgman Public Library as of and for the year ended June 30, 2005, as listed in the table of contents. These basic financial statements are the responsibility of the Bridgman Public Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Bridgman Public Library as of June 30, 2005 and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

January 27, 2006

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Bridgman Public Library

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplemental information. The basic financial statements include information that presents two different views of the Bridgman Public Library:

- The first column of the financial statements includes information on the Bridgman Public Library's General Fund under the modified accrual method. These fund financial statements focus on current financial resources and provide a more detailed view about the accountability of Bridgman Public Library's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full-accrual method.
- The government-wide financial statement column provides both long-term and short-term information about Bridgman Public Library's overall financial status. The statement of net assets and statement of activities provide information about the activities of Bridgman Public Library as a whole and present a longer-term view of the Library's finances. These statements tell how these services were financed in the short term as well as what remains for future spending.
- The basic financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

The required supplemental information section follows the basic financial statements and further explains and supports the information in the financial statements.

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The Library's net assets decreased by \$14,375 during fiscal 2005, ending the year at \$1,874,091. The table below shows the composition of the Library's net assets at June 30, 2005 and 2004.

	June 30		Increase
	2005	2004	(Decrease)
Assets			
Current assets	\$ 253,488	\$ 374,984	\$ (121,496)
Capital assets	<u>1,684,558</u>	<u>1,705,572</u>	<u>(21,014)</u>
Total assets	1,938,046	2,080,556	(142,510)
Liabilities			
Current liabilities	63,955	190,838	(126,883)
Compensated absences	<u>-</u>	<u>1,252</u>	<u>(1,252)</u>
Total liabilities	<u>63,955</u>	<u>192,090</u>	<u>(128,135)</u>
Net Assets			
Investment in general capital assets	1,684,558	1,705,572	(21,014)
Restricted for future endowment	7,500	7,500	-
Unrestricted	<u>182,033</u>	<u>175,394</u>	<u>6,639</u>
Total net assets	<u>\$ 1,874,091</u>	<u>\$ 1,888,466</u>	<u>\$ (14,375)</u>

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Condensed Financial Information (Continued)

The table below is a two-year comparison of the revenues and expenditures of the Library. For the year ended June 30, 2005, expenses on the full accrual method of accounting exceeded revenues by \$14,375. For the year ended June 30, 2004, revenues exceeded expenses by \$5,754.

	Year Ended June 30		Increase (Decrease)
	2005	2004	
Revenue			
Property tax	\$ 165,549	\$ 159,125	\$ 6,424
Penal fines	58,573	59,170	(597)
Lake Township contract	64,881	63,267	1,614
Contributions	50,109	27,143	22,966
Other	16,541	43,531	(26,990)
Total revenue	355,653	352,236	3,417
Expenses - Library services			
Personnel	140,894	130,462	10,432
Depreciation	147,136	143,260	3,876
Other	81,998	72,760	9,238
Total expenses	370,028	346,482	23,546
Revenue Over (Under) Expenses	\$ (14,375)	\$ 5,754	\$ (20,129)

Bridgman Public Library as a Whole

- Bridgman Public Library's net assets remained steady, with a slight decrease this year.
- Bridgman Public Library's primary sources of revenue are from: property taxes, which represent 46 percent of total revenue; a contract with Lake Charter Township, which represents 18 percent of total revenue; donations, which represent 14 percent of total revenue; and from Library fines (including penal fines), which represent 16 percent of total revenue. Penal fines are unpredictable and vary yearly depending on police activity and court costs.
- Personnel expenses are a significant cost to Bridgman Public Library, representing 38 percent of total expenditures. This year expenses for salaries were increased by approximately \$10,000, due to an increase in staffing and an increase in hours for some staff, as well as increases in hourly wages.

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Library Budgetary Highlights

The Library had four significant budget overruns in 2005. They were as follows:

	Budget	Actual	Overrun
Supplies	\$ 15,000	\$ 20,395	\$ 5,395
Professional services and dues	11,500	21,305	9,805
Repairs and maintenance	10,000	17,145	7,145
Capital expenditures	4,749	69,946	65,197

The following are management's explanations for the budget overruns:

- Supplies: Occupancy of the addition to the library building took place in May 2004. Library management then determined our additional need for supplies for the new space, which included printers for patrons, office supplies for two circulation areas, and storage containers for new storage areas. In addition, we now have a drive-up book return that required two new book carts and additional file cabinets. There was just a general increase in supplies needed to operate facilities. The cost of these items was below the capitalization threshold for capital assets.
- Professional services and dues: During construction, there was a significant increase in insurance expense, due to a required risk policy. Subsequently, this cost was reduced when construction was over. Additionally, computer repair and service expenses increased, due to the increase in number of computers, both for staff and patrons. Legal fees were incurred when the library board sought legal counsel regarding the contract with Superior Construction Services. This also included an extensive inspection of the roof. Another large expense was the additional cost for GASB 34 implementation during the audit.
- Repairs and maintenance: There was a substantial increase in maintenance expenses due to an increase in landscaping needs. The landscaping increased following renovation of the library building. Therefore, a landscaping firm was contracted to provide this maintenance service, as opposed to one person. Also, snow removal, which previously was provided free of charge by the City of Bridgman, was now contracted out as the City could not use their equipment in the Library's new parking lot. Inside the Library, the cleaning service fees almost doubled on a weekly basis, substantially increasing this annual cost.

Bridgman Public Library

Management's Discussion and Analysis (Continued)

- Capital expenditures: There were many factors influencing the increase in capital expenditures this past year. New computers were purchased for the staff to provide not only for an additional workstation, but also for additional staff workspace, and a new server. Furniture was purchased to provide additional seating for patrons. In addition, a major purchase was made to add shelving in the Library. A new copy machine was purchased for patron use. A new telephone system was installed, which provided an improved service of answering calls. The security system was also upgraded to provide security outside the building as well as inside.

Capital Assets and Debt Administration

At the end of the fiscal year, Bridgman Public Library had \$2.6 million invested in land, building, furnishings and equipment, books, and materials. During the fiscal year, Bridgman Public Library purchased additional shelving units at a cost of \$21,323. The Friends of the Library donated a computer work center (\$6,868) and oak cabinetry (\$4,441). Purchases of several new staff computers were made, including three laptops (\$3,297) and six desktops (\$6,594). The desktop computers were also donated by the Friends of the Library. The Library's landscaping was completed at a cost of \$11,660. The Library added books and materials at a cost of \$38,173. There were also additional construction costs for the building of \$12,787.

Bridgman Public Library received a major donation of \$20,000 toward the building project in the current year, which was allocated to offset the costs of construction.

Bridgman Public Library's debt rating is excellent. No debt was issued during this fiscal year.

Future Operating Plans

The Library Board is always evaluating the budget to watch the ratio of expense to income.

The Library has a solid relationship with Lake Charter Township and a current contract that pays the Library 1/10 of 1 mil annually. This expires in December 2007. The Library Board is working with the Township to encourage renewal of this contract.

Additionally, the millage from the City of Bridgman is in good standing. The Library currently has a millage voted in perpetuity and a five-year millage which is due to expire in November 2007. The Library Board will evaluate ways to encourage renewal of this millage.

Future needs for the Library include furnishings for the teen and children areas, and materials (such as books, periodicals, audio and video cassettes). Other considerations are maintenance of the outside and inside of the Library; maintenance of the patron and staff computers; and continued staff development.

Bridgman Public Library

Management's Discussion and Analysis (Continued)

Contacting the Library's Management

This financial report is designed to provide a general overview of the Library's finances and accountability of the public trust. Questions regarding any of the information provided in this report or requests for additional information should be addressed to the Library director, Bridgman Public Library, 4460 Lake Street, Bridgman, MI 49106.

Bridgman Public Library

Balance Sheet/Statement of Net Assets June 30, 2005

	General Fund, Modified Accrual Basis	Adjustments (Note 2)	Statement of Net Assets - Full Accrual
Assets			
Cash and cash equivalents (Note 4)	\$ 253,488	\$ -	\$ 253,488
Capital assets (Note 5)	<u>-</u>	<u>1,684,558</u>	<u>1,684,558</u>
Total assets	<u>\$ 253,488</u>	<u>\$ 1,684,558</u>	1,938,046
Liabilities - Accounts payable and other liabilities	\$ 63,955	\$ -	63,955
Fund Balance/Net Assets - Fund			
balance - Undesignated	<u>189,533</u>	<u>(189,533)</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 253,488</u>	<u>\$ (189,533)</u>	63,955
Net assets:			
Invested in capital assets - Net of debt		\$ 1,684,558	1,684,558
Restricted for future endowment		7,500	7,500
Unrestricted		<u>182,033</u>	<u>182,033</u>
Total net assets		<u>\$ 1,874,091</u>	<u>\$ 1,874,091</u>

Bridgman Public Library

Statement of Revenue, Expenditures, and Changes in Fund Balance/Statement of Net Assets Year Ended June 30, 2005

	General Fund, Modified Accrual Basis	Adjustments (Note 2)	Statement of Activities - Full Accrual
Revenue			
State sources	\$ 2,008	\$ -	\$ 2,008
Investment income	5,051	-	5,051
Property tax	165,549	-	165,549
Penal fines	58,573	-	58,573
Lake Township contract	64,881	-	64,881
Contributions	32,106	-	32,106
Capital contributions	-	18,003	18,003
Other	9,482	-	9,482
Total revenue	337,650	18,003	355,653
Expenditures			
Personnel	142,146	(1,252)	140,894
Supplies	20,395	-	20,395
Professional services and dues	21,305	-	21,305
Community promotion	7,988	-	7,988
Insurance and bonds	2,808	-	2,808
Public utilities	12,357	-	12,357
Repairs and maintenance	17,145	-	17,145
Audiovisual, books, and periodicals	38,173	(38,173)	-
Capital expenditures	69,946	(69,946)	-
Depreciation	-	147,136	147,136
Total expenditures	332,263	37,765	370,028
Excess of Revenue Over (Under) Expenditures	5,387	(19,762)	(14,375)
Fund Balance/Net Assets - July 1, 2004	184,146	1,704,320	1,888,466
Fund Balance/Net Assets - June 30, 2005	<u>\$ 189,533</u>	<u>\$ 1,684,558</u>	<u>\$ 1,874,091</u>

Note I - Nature of Organization and Summary of Significant Accounting Policies

The Bridgman Public Library (the "Library") is located in the City of Bridgman, Michigan and is governed by an appointed board. The Library is primarily funded through a tax levy, fines and fees, and charitable donations. Revenue is used to operate and staff the Library. The accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in these financial statements.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The Library's basic financial statements include both government-wide (reporting the Library as a whole) and fund financial statements (reporting the Library's major funds).

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations.

Note I - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures relating to compensated absences are recorded only when payment is due.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2004 ad valorem tax is levied and collectible on July 1, 2004 and is recognized as revenue in the year ended June 30, 2005, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2004 taxable valuation of the Library district totaled \$92,534,358, on which ad valorem taxes levied consisted of 1.74 mills for operating purposes. This resulted in tax revenues of approximately \$165,000 for operating purposes which are recognized in the General Fund.

Assets, Liabilities, and Net Assets

Bank Deposits and Investments - The Library considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Capital Assets - Capital assets are defined by the Library as assets with an initial cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repair and maintenance are expensed as incurred.

Bridgman Public Library

Notes to Financial Statements June 30, 2005

Note 1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	40 years
Furniture and equipment	10 years
Library books - Reference	10 years
Library books - Hard cover	5 years
Library books - Soft cover	3 years

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Other accounting policies are disclosed in other notes to the financial statements.

Note 2 - Reconciliation of Government-wide and Fund Financial Statements

The General Fund's fund balance and the net change in fund balance differ from net assets and change in net assets reported in the statement of net assets and statement of activities. This difference results primarily from the long-term economic focus of the statement of net assets and statement of activities versus the economic focus of the statement of the General Fund balance sheet and statement of revenue, expenditures, and changes in fund balance. The following is a reconciliation of fund balance to net assets and the net change in fund balance to the net change in net assets:

Total Fund Balance - Modified accrual basis	\$ 189,533
Amounts reported in the statement of net assets are different because capital assets are not financial resources and are not reported in the funds	<u>1,684,558</u>
Total Net Assets - Full accrual basis	<u>\$ 1,874,091</u>

Bridgman Public Library

Notes to Financial Statements June 30, 2005

Note 2 - Reconciliation of Government-wide and Fund Financial Statements (Continued)

Net Change in Fund Balances - Modified accrual basis	\$	5,387
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Amounts reported in the statement of activities are different because:

Governmental funds report capital outlays as expenditures in the statement of activities; these costs are allocated over their estimated useful lives as depreciation:

Library books, material, and equipment	108,119
Depreciation	(147,136)

Governmental funds do not report revenue and expenditures from donated capital assets in the statement of activities	18,003
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Decrease in the accrual for long-term compensated absences reported as an expenditure in the statement of activities, but not in the fund financial statements	<u>1,252</u>
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Change in Net Assets of Governmental Activities - Full accrual basis	\$	<u>(14,375)</u>
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Note 3 - Budget Information

The annual budget is prepared by the budget committee and adopted by the Library Board in July of each year. Subsequent amendments are made in a legally permissible manner and approved by the Library Board periodically throughout the year. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2005 has not been calculated. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund budget can be found in the required supplemental information.

Bridgman Public Library

Notes to Financial Statements June 30, 2005

Note 3 - Budget Information (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Library incurred significant expenditures that were in excess of the amounts budgeted, as follows:

	Budget	Actual
Supplies	\$ 15,000	\$ 20,395
Professional services and dues	11,500	21,305
Repairs and maintenance	10,000	17,145
Capital expenditures	4,749	69,946

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Library has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in mutual funds and investment pools investing only in bonds and securities of the United States government, bank accounts and CDs, but not the remainder of state statutory authority as listed above. The Library's deposits and investment policies are in accordance with statutory authority.

The Library's cash and investments are subject to custodial credit risk of bank deposits, which is examined in more detail below:

Bridgman Public Library

Notes to Financial Statements June 30, 2005

Note 4 - Deposits and Investments (Continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a deposit policy for custodial credit risk. At year end, the Library had \$97,512 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 5 - Capital Assets

Capital asset activity of the Library's governmental activities was as follows:

	Balance July 1, 2004	Additions	Transfers	Balance June 30, 2005
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 23,750	\$ -	\$ -	\$ 23,750
Construction in progress	1,108,299	12,787	(1,121,086)	-
Subtotal	1,132,049	12,787	(1,121,086)	23,750
Capital assets being depreciated:				
Building	476,402	-	1,121,086	1,597,488
Furniture and equipment	182,719	75,162	-	257,881
Library books, periodicals, and videos	693,183	38,173	-	731,356
Subtotal	1,352,304	113,335	1,121,086	2,586,725
Less accumulated depreciation	(778,781)	(147,136)	-	(925,917)
Net capital assets being depreciated	573,523	(33,801)	1,121,086	1,660,808
Net capital assets	\$ 1,705,572	\$ (21,014)	\$ -	\$ 1,684,558

Note 6 - Risk Management

The Library is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provide to employees. The Library has purchased commercial insurance for general liability, workers' compensation, and medical benefit claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Required Supplemental Information

Bridgman Public Library

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2005

	Original and Amended Budget	Actual	Variance with Amended Budget
Revenue			
State sources	\$ 7,500	\$ 2,008	\$ (5,492)
Investment income	-	5,051	5,051
Property tax	163,300	165,549	2,249
Penal fines	50,000	58,573	8,573
Lake Township Contract	64,211	64,881	670
Contributions	2,000	32,106	30,106
Other	7,400	9,482	2,082
Total revenue	294,411	337,650	43,239
Expenditures			
Personnel	162,662	142,146	20,516
Supplies	15,000	20,395	(5,395)
Professional services and dues	11,500	21,305	(9,805)
Community promotion	8,500	7,988	512
Insurance and bonds	11,000	2,808	8,192
Public utilities	18,000	12,357	5,643
Repairs and maintenance	10,000	17,145	(7,145)
Audiovisual, books, and periodicals	45,000	38,173	6,827
Capital expenditures	4,749	69,946	(65,197)
Miscellaneous	8,000	-	8,000
Total expenditures	294,411	332,263	(37,852)
Excess of Revenue Over Expenditures	-	5,387	5,387
Fund Balance - July 1, 2004	184,146	184,146	-
Fund Balance - June 30, 2005	<u>\$ 184,146</u>	<u>\$ 189,533</u>	<u>\$ 5,387</u>

To the Board of Directors
Bridgman Public Library
Bridgman, Michigan 49106

In planning and performing our audit of the financial statements of the Bridgman Public Library for the year ended June 30, 2005, we considered the Library's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Library's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

SEGREGATION OF DUTIES

Control over cash receipts is limited because of insufficient segregation of duties due to limited personnel. Management feels adequate segregation of duties is not practical because hiring additional personnel is not warranted from a cost-benefit standpoint.

DOCUMENTATION OF EXPENDITURE APPROVAL

We noted during our testing of cash disbursements that the total amount of expenditures approved by the Board is not included in the minutes. We recommend that this information be included in the minutes to serve as documentation of the expenditures that were approved. A detailed listing of disbursements, which agrees to the total approved, should be attached with the minutes as well.

FIXED ASSETS & BOOK INVENTORY

The library staff compiled a listing of fixed asset additions at the end of the year. We suggest that library staff devise a plan for maintaining these listings during the year (i.e. tracking disposals and additions). It is important to remember that even donated assets should be added to the listing (and also recorded as donation revenue). The same is true for books, CD's, cassettes, etc. The current year listing that was prepared by the library staff did not include all capital items that were purchased or donated and it did not agree in total to the capital outlay general ledger accounts. In addition, the listing included some items that were below the threshold for capitalization. We are happy to discuss ideas for tracking capital expenditures throughout the year to maintain a complete and accurate listing.

PAYROLL

As regulations related to payroll continue to change, it is very important that the Library stays abreast of these changes. Generally, any and all payments (with the exception of reimbursements of direct expenses) should be processed through payroll. Payroll regulations provide certain exceptions (i.e. de minimus gifts under \$25), but most payments, including bonuses, vacation/sick/personal time, nonqualified retirement plan (IRA) contributions, etc. should be processed through the payroll system and subjected to regular payroll taxes. Plante & Moran will communicate future payroll law changes to the Library as they occur.

ENDOWMENT FUND

The endowment funds (\$7,500) are currently intermingled with the other Library cash. We recommend that the Board establish a separate CD or Money Market account for the \$7,500 that was donated, with the restriction that only the income earned on these funds can be spent. Any future donations to the endowment fund can be added to this newly established account.

BUDGET

The financial statements show several expenditure accounts that were in excess of the budget amount. The Library did not amend the budget during the year. Michigan Public Act 621 (budget act) requires amending the budget prior to incurring expenditures that will exceed the original budget. We encourage the Board to consider this in the future.

We thank the Library's staff for their preparation and assistance during this year's audit. We greatly appreciate the courtesy and cooperation extended to us by you and the members of your organization.

This report is intended solely for the information and use of the Board of Directors and management of Bridgman Public Library. We would be happy to discuss this letter at your convenience.

Plante & Moran, PLLC

January 27, 2006